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Change of Ownership of License/Management Agreements – COMAR 10.62.08, 10.62.19, 10.62.25

COMAR 10.62.08 Medical Cannabis Grower License.

.01 Definitions.

A. In this chapter, the following terms have the meanings indicated.

B. Terms Defined.

(1) “Audited financial statement” means an audited financial statement that is:

(a) Performed by a certified public accountant licensed or with practice privileges in Maryland pursuant to Business Occupations and Professions Article, Title 2, Annotated Code of Maryland;

(b) Prepared in accordance with the Professional Standards of the American Institute of Certified Public Accountants; and

(c) In the case of a publicly owned corporation, in conformity with the standards of the Public Company Oversight Board.

(2) “*Interest*” means an equity interest in a licensed grower, including shares or stock.

(3)(2) “License” means a license issued by the Commission to operate as a licensed grower.

(4)(3) “Licensee” means a licensed grower.

(5) “*Management Agreement*” means an agreement between a licensee and a third-party under which the third-party provides management, administrative, or financial services to the licensee in exchange for a fee or a percent of the licensee’s revenue.

.08 Change of Ownership of a License

A. No interest of 5 percent or more of a *grower licensed* pursuant to this chapter shall be assignable or transferable unless:

(1) The Commission has received notice of the intent of the owner of the interest, or of the estate of the owner of the interest, to transfer or assign an interest in a license to another party;

(2) The transferee has had forwarded the criminal history record information and audited financial statement to the Commission of the transferee;

(3) The Commission does not object to the transfer or assignment within 45 days of its receipt of notice; and

(4) The transferee has paid the required fee specified in COMAR 10.62.35.

B. The Commission may deny transfer of an interest in a *licensed grower* for any proposed transferee if the:

(1) Criminal history record information or the background investigation demonstrate an absence of good moral character; or

(2) Payment of taxes due in any jurisdiction is in arrears.

C. *A person or entity may not have an interest in more than one licensed grower.*

.12 Annual Report on Ownership Interest.

Each licensee shall submit a report in a manner determined by the Commission regarding each ownership interest held in the license:

A. *On or before June 1 of each year; and*

B. *Within 10 business days upon request by the Commission.*

.13 Management Agreements

A. *Prior to any management agreement taking effect, a licensee shall submit to the Commission:*

(1) *A copy of the management agreement;*

(2) *Information detailing any compensation paid in exchange for the management services; and*

(3) *Criminal history record information and audited financial statement of the third-party providing the management services.*

B. *A management agreement may not take effect unless the Commission:*

(1) *Has received proper notice of the management agreement, as specified in §A of this regulation; and*

(2) *The Commission does not object to the management agreement within 45 days of its receipt of notice.*

C. *The Commission may object to a management agreement if the:*

(1) *Management agreement constitutes an invalid transfer of an interest in a license; or*

(2) *Criminal history record information or the background investigation reveal the third-party providing the management services has been convicted of or plead nolo contendere to a crime involving moral turpitude, whether or not any appeal or other proceeding is pending to have the conviction or plea set aside; or*

(3) *For other good cause.*

COMAR 10.62.19 Medical Cannabis Processor License

.01 Definitions.

A. In this chapter the following terms have the meanings indicated.

B. Terms Defined.

(1) “Audited financial statement” means an audited financial statement that is performed by a certified public accountant licensed or with practice privileges in Maryland, pursuant to Business Occupations and Professions Article, Title 2, Annotated Code of Maryland, that:

(a) Is prepared in accordance with the Professional Standards of the American Institute of Certified Public Accountants; and

(b) In the case of a publicly owned corporation, is in conformity with the standards of the Public Company Oversight Board;

(2) *“Interest” means an equity interest in a licensed processor, including shares or stock.*

(3)~~(2)~~ “License” means a license issued by the Commission to operate as a licensed processor; and

(4)~~(3)~~ “Licensee” means a licensed processor.

(5) *“Management Agreement” means an agreement between a licensee and a third-party under which the third-party provides management, administrative, or financial services to the licensee in exchange for a fee or a percent of the licensee’s revenue.*

.07 Change of Ownership of a License

A. No interest of 5 percent or more of a *processor licensed* pursuant to this chapter shall be assignable or transferable unless:

(1) The Commission has received notice of the intent of the owner of the interest, or of the estate of the owner of the interest, to transfer or assign an interest in a license to another party;

(2) The transferee has had forwarded the criminal history record information and audited financial statement to the Commission of the transferee;

(3) The Commission does not object to the transfer or assignment within 45 days of its receipt of notice; and

(4) The transferee has paid the required fee specified in COMAR 10.62.35.

B. The Commission may deny transfer of an interest in a *licensed processor* for any proposed transferee if the:

(1) Criminal history record information or the background investigation demonstrate an absence of good moral character; or

(2) Payment of taxes due in any jurisdiction is in arrears.

C. *A person or entity may not have an interest in more than one licensed processor.*

.10 Annual Report on Ownership Interest.

Each licensee shall submit a report in a manner determined by the Commission regarding each ownership interest held in the license:

A. *On or before June 1 of each year; and*

B. *Within 10 business days upon request by the Commission.*

.11 Management Agreements

A. *Prior to any management agreement taking effect, a licensee shall submit to the Commission:*

(1) *A copy of the management agreement;*

(2) *Information detailing any compensation paid in exchange for the management services; and*

(3) *Criminal history record information and audited financial statement of the third-party providing the management services.*

B. *A management agreement may not take effect unless the Commission:*

(1) Has received proper notice of the management agreement, as specified in §A of this regulation; and

(2) The Commission does not object to the management agreement within 45 days of its receipt of notice.

C. The Commission may object to a management agreement if the:

(1) Management agreement constitutes an invalid transfer of an interest in a license; or

(2) Criminal history record information or the background investigation reveal the third-party vendor has been convicted of or plead nolo contendere to a crime involving moral turpitude, whether or not any appeal or other proceeding is pending to have the conviction or plea set aside; or

(3) For other good cause.

COMAR 10.62.25 Medical Cannabis Dispensary License

.01 Definitions.

A. In this chapter the following terms have the meanings indicated.

B. Terms Defined.

(1) “Audited financial statement” means an audited financial statement that is performed by a certified public accountant licensed or with practice privileges in Business Occupations and Professions Article, Title 2, Annotated Code of Maryland, that is prepared in accordance with the Professional Standards of the American Institute of Certified Public Accountants and in the case of a publicly owned corporation in conformity with the standards of the Public Company Oversight Board.

(2) “Interest” means an equity interest in a licensed dispensary, including shares or stock.

(3)~~(2)~~ “License” means a license issued~~(2)~~ by the Commission to operate as a licensed dispensary.

(4)~~(3)~~ “Licensee” means a licensed dispensary.

(5) “Management Agreement” means an agreement between a licensee and a third-party under which the third-party provides management, administrative, or financial services to the licensee in exchange for a fee or a percent of the licensee’s revenue.

.08 Change of Ownership of License

A. No interest of 5 percent or more of a *dispensary licensed* pursuant to this chapter shall be assignable or transferable unless:

(1) The Commission has received notice of the intent of the owner of the interest, or of the estate of the owner of the interest, to transfer or assign an interest in a license to another party;

(2) The transferee has had forwarded the criminal history record information and audited financial statement to the Commission of the transferee;

(3) The Commission does not object to the transfer or assignment within 45 days of its receipt of notice; and

(4) The transferee has paid the required fee specified in COMAR 10.62.35.

B. The Commission may deny transfer of an interest in a *licensed dispensary* for any proposed transferee if the:

(1) Criminal history record information or the background investigation demonstrate an absence of good moral character; or

(2) Payment of taxes due in any jurisdiction is in arrears.

C. A person or entity may not have an interest in more than one licensed dispensary.

.11 Annual Report on Ownership Interest.

Each licensee shall submit a report in a manner determined by the Commission regarding each ownership interest held in the license:

A. On or before June 1 of each year; and

B. Within 10 business days upon request by the Commission.

.12 Management Agreements

A. Prior to any management agreement taking effect, a licensee shall submit to the Commission:

(1) A copy of the management agreement;

(2) Information detailing any compensation paid in exchange for the management services; and

(3) Criminal history record information and audited financial statement of the third-party providing the management services.

B. A management agreement may not take effect unless the Commission:

(1) Has received proper notice of the management agreement, as specified in §A of this regulation; and

(2) The Commission does not object to the management agreement within 45 days of its receipt of notice.

C. The Commission may object to a management agreement if the:

(1) Management agreement constitutes an invalid transfer of an interest in a license; or

(2) Criminal history record information or the background investigation reveal the third-party providing the management services has been convicted of or plead nolo contendere to a crime involving moral turpitude, whether or not any appeal or other proceeding is pending to have the conviction or plea set aside; or

(3) For other good cause.